DEPARTMENT OF DEFENSE INTELLIGENCE INFORMATION REPORT

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(Classification and Control Markings)

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1. COUNTRY: PARAGUAY/ARGENTINA

2. SUBJECT: International Terrorism (U)

3. ISC NUMBER:

4. DATE OF INFORMATION: 24 Sep & 4 Oct 76

5. PLACE AND DATE OF ACQ: Asuncion; 30 Sep - 4 Oct 76

6. EVALUATION: SOURCE [ ] INFORMATION [ ]

7. SOURCE: RSO, AMEMBASSY

8. REPORT NUMBER: (b)(3):10 USC 424

9. DATE OF REPORT: 7 October 1976

10. NO. OF PAGES: 4

11. REFERENCES: (b)(3):10 USC 424

12. ORIGINATOR:

13. PREPARED BY:

14. APPROVING AUTHORITY:

(b)(3):10 USC 424

15. SUMMARY: (U) Report provides a memorandum of conversation held between Mr. C. David TROTTER (Regional Security Officer, American Embassy, Asuncion) and Mr. Pastor Milciades CORONEL (Chief, Department of Investigations, Capital Police, Asuncion) on 24 Sep 76 at the Department of Investigations. The subject of their conversation was terrorists and terrorist activity in Paraguay.

(U) Also attached as Encl 2 is a memorandum of conversation held between TROTTER and "First Lieutenant" Isidro CASTRO (officer of the Guardia de Seguridad) on 4 Oct 76 in the American Embassy.

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1. (U) Attached as Enclosure 1 is a copy of a Memorandum of Conversation given to [ ] on 30 Sep 76. The contents of the memoradum were discussed in detail by [ ] and [ ] on 1 Oct 76 and again on 4 Oct 76.

2. ~~(C/NOFORN)~~ COMMENTS:

A. Mr. TROTTER called upon Mr. CORONEL at the Department of Investigations on Avda. Presidente Franco on 24 Sep 76 to seek information on the whereabouts of Alberto GONZALEZ Balcarce. Mrs Ethel Louise GONZALEZ (a U.S. citizen residing in Posadas, Argentina) visited the American Embassy on 24 Sep 76 to seek USG help in finding her husband, Alberto GONZALEZ, whom she claimed was being held at the Department of Investigations. According to Mrs GONZALEZ, her husband had been arrested by police in POSADAS, Argentina on 1 Jul 76 for being suspected of implication in

16. DISTRIBUTION BY ORIGINATOR:
(b)(3):10 USC 424
USCINCSO

17. DOWNGRADING DATA:
(b)(3):10 USC 424
~~CLASSIFIED BY~~
~~SUBJECT TO GENERAL DECLASSIFICATION~~
~~SCHEDULE OF EXECUTIVE ORDER 11652~~
~~AUTOMATICALLY DOWNGRADED AT TWO~~
~~YEAR INTERVALS~~
~~DECLASSIFIED ON 31 DECEMBER~~ 1981

18. ATTACHMENT DATA:
2 Encls:
1. Memorandum of Conversation dtd 30 Sep 76, 1 cy ~~(LOU)~~
2. Memorandum of Conversation dtd 4 October 1976, 1 cy ~~(LOU)~~

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DIA FOIA & Declassification Services Offices
Date: Oct 19, 2018

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DD FORM 1 SEP 62 1396

U.S. GOVERNMENT PRINTING OFFICE 1963 OF—713-217

REPLACES DA FORM 1048, 1 AUG 60, OPNAV FORM 3820 (Rev 10-61), AF FORM 112, JUL 61, WHICH MAY BE USED UNTIL 1 JAN 63.

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the kidnapping of two U.S. Mormon Church Missionaries near POSADAS on 26 Jun 76. The two young Mormons, Thayne LARSON, 26, and Peter Allen SHAW, 21, had been kidnapped in Argentina and then taken across the PARANA River to a hut near ENCARNACION, Paraguay. Acting upon a tip-off, Paraguayan police raided the hut on the night of 30 Jun - 1 Jul 76, taking the abductors and the two missionaries into custody. One missionary was shot by mistake during the raid, but was not seriously wounded. Both missionaries were freed and returned to Argentina on 3 Jul 76. The kidnappers sent a ransom note to an official of the Mormon Church in Argentina, demanding $1.5 million for the release of the two American missionaries. The note was signed by "ORGANIZACION POLITICA MILITAR" (OPM), a terrorist organization first discovered to be operating in Paraguay by Paraguayan police during 2-5 Apr 76 raids [redacted] (b)(3):10 USC 424 On 4-5 Jul 76 COL Benito GUANES (Chief, Paraguayan Military Intelligence) informed [redacted] that the kidnappers were OPM activists and Paraguayan as well as Argentine nationals. GUANES said on 5 Jul 76 that those involved in the kidnapping were in police custody in ENCARNACION, Paraguay and that the investigation was continuing. On 5 Jul 76, Mr TROTTER travelled to ENCARNACION and questioned the local police about the whole incident. Police in ENCARNACION told TROTTER that the interrogations of the prisoners revealed that the ransom was intended for purchase of arms from FRANCE.

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B. From his conversation with CORONEL, TROTTER received confirmation that Alberto GONZALEZ was the leader or organizer of the kidnap plot of the two Mormons. Despite earlier GOP belief that the kidnapping was an OPM operation, apparently CORONEL's interrogation of GONZALEZ (and of others allegedly implicated in the crime) has failed to tie it in closely with the OPM although CORONEL thinks GONZALEZ has "terrorist" contacts. [redacted] CORONEL would not have told TROTTER of the lack of a close tie-in had it not been so; customarily, Paraguayan security forces have eagerly tried to link almost every type of "criminal" activity to suspected subversives and it would be most unusual for CORONEL to do otherwise. According to what Mrs GONZALEZ told TROTTER, she did not know of her husband's plans for the kidnapping before the fact, or until his arrest: she believed that he had been making frequent trips from POSADAS to ASUNCION to set up a money exchange business. She stated her belief that he was not involved with any type of subversive or political activity that it was just a desperate, but criminal, act. According to her, GONZALEZ had lived in the United States as an Alien Resident until January 1976, at which time he returned to Argentina; she joined him in Posadas in May 1976. [redacted] that Mr GONZALEZ has been turned back over to the Argentine police by CORONEL, and returned to Argentina. CORONEL was "loaned" GONZALEZ by Argentine Police, just as CORONEL "loaned" at least one Paraguayan woman involved in the case to the Argentines for interrogation.

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C. It is interesting to note that CORONEL told TROTTER that Investigations had uncovered and foiled an escape planned for 19 Sep 76 by Alberto GONZALEZ and Amilcar SANTUCHO. Amilcar L. SANTUCHO was captured on 16 May 75 by Paraguayan police as he entered Paraguay from Argentina using false identity papers; he was carrying Ejercito Revolucionario del Pueblo (ERP) documents hidden in his suitcase. Amilcar SANTUCHO is the brother of Argentine ERP leader Mario Roberto SANTUCHO, who was killed by Argentine security forces in BUENOS AIRES on 19 Jul 76. Although it might seem logical that anyone held for a capital offense would try to escape from the police, by joining forces with a well-known ERP member, GONZALEZ would seem to further link himself with the terrorists; however, since both are Argentines, perhaps a joint escape attempt was merely co-incidental.

D. Since the discovery of the OPM in Paraguay in early April, with subsequent GOP round-ups of suspected subversives, there have been reports of large numbers of prisoners held at the headquarters of the Department of Investigations and at other Capital Police Precinct Stations around ASUNCION. Numbers have fluctuated from several hundred to 800-1,000. Until early September, Avda. Presidente Franco was closed off between Nuestra Senora de Asuncion and Chile in front of Investigations to prohibit view of the prisoners coming into and out of the building. Within the past month, a centralized confinement facility has been set-up at EMBOSCADA, PARAGUAY (25°09'S, 57°21'W), about 40 KM NE of Asuncion, in a former Boy's Reformatory. CORONEL told TROTTER that almost all of the "subversive" prisoners had been transfered to the facility at EMBOSCABA, with the exception of just a few remaining in cells at Investigations. The confinement facility at Emboscada is run by the Capital Police

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Force's Guardia de Seguridad (also known as the "40th Battalion"), with its cuartel in the Tacumbu area of ASUNCION. The Security Guard ("40th Battalion") is under the Police, but it is organized, equipped, trained and uniformed like a military combat unit; its Commander is an infantryman, Army COL Juan Ramon ESCOBAR. The on-the-scene commander of the unit's detachment at EMBOSCADA is Colonel (?) Hector Antoliano GRAU; until January 1971, GRAU was listed on the Armed Forces' Officers Roster as an infantry Lieutenant Colonel, but since 1971 his name has not appeared on such rosters. GRAU is now referred to as "Colonel", and is the Deputy Commander of the Security Guard. [redacted] does not know if GRAU is still in the Army (but for some reason not listed on the annual rosters) or has been transferred to the Police Force. The "40th Battalion", or Security Guard, provides the guard force at the National Penitentiary at TACUMBU, and now at EMBOSCADA; it operates the recruit training center for conscripts in the Capital Police; and it is equipped with light and heavy infantry weapons. According to what TROTTER was told on 4 Oct 76 by "First Lieutenant" Isidro CASTRO (officer called himself a "First Lieutenant" who will be promoted to Captain this December; he is not on Army Roster, so he may be a police officer referring to himself by equivalent Army grade), the Marksmanship Training Officer of the Security Guard, there are now 319 subversive/terrorist prisoners at EMBOSCADA. From several diverse reports heard [redacted] the prisoners at EMBOSCADA are living under better conditions than they formerly had at Investigations or at various Capital Police Precinct Stations. (See Encl 2)

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E. The number of "Subversive/Terrorist" prisoners given by "1LT" Isidro CASTRO (see subparagraph D, above) generally coincides with information received from an independent source. In early Oct 76, Mrs Carmen de LARA CASTRO provided the American Embassy with a list of names purported to be some 350 prisoners of this category held by GOP. Mrs LARA CASTRO is Paraguayan, head of a human rights committee, and a Radical Liberal Party member of the Chamber of Deputies. She claimed that her list might not be complete, but it roughly equals the 319 prisoners Isidro CASTRO claimed were in Emboscada, plus the approximately 20 more which Pastor CORONEL claims are still held at the Headquarters of the Investigations Department.

F. Pastor CORONEL's comments on the alleged Terrorist Attack upon the Military College at CAPIATA (25°21'S, 57°25'W) on 14 May 76 contradict his own statements made at the time, seem plausible, but are difficult to confirm at this time [redacted] (b)(3):10 USC 424 It is possible, as CORONEL suspects, that the "Attack" was a hoax to cover the nervous firing of weapons by a few untrained guards; one might logically assume that CORONEL's police investigations could show the "Raid" to have been a trumpted up story to conceal the fact that untrained guards were shooting at shadows. As late as 2 Jul 76, however, COL Benito GUANES (Chief, II Dept, Joint General Staff of the Armed Forces) in his Intelligence Report Number 2/76 [redacted] see paragraph 2.b.1.) still referred to the incident as a terrorist attack. It is possible that GUANES knew the "Attack" was a hoax by 2 Jul 76, but was reluctant to admit it since so many Paraguayan officials had earlier "swallowed" it and had made comments on it.

(b)(3):10 USC

(b) (3):10 USC 42

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G. [redacted] has no information upon the increased activity among terrorists opposed to STROESSNER which CORONEL cited as taking place in the past two months in Argentina near the southern Paraguayan border. During period 15-19 Sep 76, [redacted] drove through Paraguay's three southernmost departments (NEEMBUCU, MISIONES, and ITAPUA), along border with Argentina, visiting every Paraguayan Armed Forces unit and detachment. In addition to Army, Navy and Air Force posts, [redacted] also visited with local police in several towns; when questioned specifically about border problems and/or subversive activities in their respective zones, every Paraguayan reported that there had been no problems for several months.

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H. [redacted] has no information, other than CORONEL's belief, concerning terrorist plots to kidnap important personages in Paraguay to exchange for prisoners held by Paraguayan security forces.

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I. When passing through ENCARNACION, Paraguay on 18 and 19 Sep 76 [redacted] visited on both occasions with the Army's III Inf Div's 2nd Frontier Battalion Commander. Not at that time, nor during 36 hours spent freely chatting with an army junior officer whose home is in ENCARNACION, was any mention made of finding a case of hand

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grenades while discussing the terrorist situation. From TROTTER's description of the grenade shown to him by CORONEL on 24 Sep 76, the grenade did not sound to appear like Chinese (PRC) grenades with which [redacted] was familiar in S.E. Asia.

J. [redacted] has commented upon "Subversives/Terrorists" held by Paraguayan Police because he believes that an as-yet-undetermined number of the Guardia de Seguridad, or"40th Battalion", are in fact Army personnel. COL Juan R. ESCOBAR, the units commander is in the Army; LTC (COL?) Hector Antoliano GRAU was in the Army until 1971, and may still be; Isidro CASTRO (whom both TROTTER and [redacted] have met at the Guardia de Seguridad, and know to be an officer of that unit) referred to himself by an Army, rather than Police, grade when talking with TROTTER on 4 Oct 76.

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MEMORANDUM OF CONVERSATION

PARTICIPANTS: Teniente Primero Isidro CASTRO

C. David Trotter, Regional Security Officer

SUBJECT: Prisoners at Emboscada

DATE: October 4, 1976

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On October 4, 1976, Teniente Primero Isidro CASTRO called on the RSO to inform him that he had been reassigned from the Guardia de Seguridad, a police training facility, to the prison at Emboscada. The RSO had previously seen CASTRO several times at the firing range of the Guardia de Seguridad. CASTRO was assigned duties at the firing range and allowed the RSO to utilize the facilities.

CASTRO informed the RSO that he had been put in charge of weapons training for the prison guards at Emboscada. He then commented that there are 319 prisoners at that location. During the conversation CASTRO requested 9mm ammunition for training purposes and asked the RSO to visit Emboscada to offer advice on improving its security. The RSO declined both requests.

The RSO questioned CASTRO in some detail concerning the prison and was provided with the following information. Most prisoners are housed in cells a little larger than the office of the RSO. Each cell contains eight to ten prisoners. All prisoners have bunks in their cells. The prisoners are given coffee early each morning. They are also served breakfast, lunch, and dinner. Prisoners are allowed visits by their families.

CASTRO commented that during the day prisoners are allowed in the courtyard where they work and play volleyball and soccer. He commented that they are locked in their cells at night. It was unclear if they are allowed in the courtyard all day or only for specified periods of time. He also stated that the prison walls are constructed in a manner which permits the guards to walk atop the walls. CASTRO commented that he would like the RSO to meet the head of the prison, Colonel GRAU, and said that he would attempt to arrange for Colonel GRAU to meet the RSO in the embassy.

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MEMORANDUM OF CONVERSATION

PARTICIPANTS: Pastor Coronel, Chief, Department of Investigations

C. David Trotter, Regional Security Officer American Embassy

SUBJECT: Terrorism

DATE: September 24, 1976

* * * * * * * * * * * * *

On the evening of September 24, 1976, the RSO called upon Pastor CORONEL to ascertain where Alberto GONZALEZ Balcarse is being detained. GONZALEZ is reported to have organized a plot which resulted in the kidnapping of two Mormon missionaries in late June 1976 near Posadas. Several topics were discussed:

Alberto GONZALEZ Balcarse

Pastor CORONEL stated that GONZALEZ is in his custody at the Department of Investigations and that since he is a prisoner of Argentine authorities he intends to return him to them the week of September 27-October 2. He commented that GONZALEZ is in good health and agreed to the suggestion that the American Consul inform his wife (an American citizen) that he is being held in the Department of Investigations and will be returned to Argentina as stated. Pastor CORONEL added that he would not permit the prisoner's wife to see him since he is an Argentine prisoner. He felt that decision should be made by Argentine authorities.

Pastor CORONEL related that after interrogation of GONZALEZ and other alleged participants in the Mormon case and after studying the methods used in the kidnapping, he has come to the conclusion that GONZALEZ is probably not closely associated with any terrorist organization. He believes GONZALEZ may have contacts with terrorists, but that his motive was probably monetary gain.

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Pastor CORONEL stated that GONZALEZ and another prisoner, Amilcar SANTUCHO, plotted an escape attempt to take place on September 19, 1976. It never materialized, apparently because Pastor CORONEL became aware of it through an informer. Despite the escape plan involving SANTUCHO Pastor CORONEL did not believe GONZALEZ was closely associated with SANTUCHO.

Amilcar SANTUCHO and Other Prisoners

Pastor CORONEL related that SANTUCHO is held at the Department of Investigations, although he commented that all other prisoners except a small number, apparently about twenty, had been transferred to Emboscada. He stated that due to this, it is now possible to have an accurate list of prisoners and the condition of their health. He added that the few prisoners who remained at the Department of Investigations are in cells. Previously he had kept some in a courtyard at that location.

Reported Terrorist Attack at Capiata

Pastor CORONEL stated that after investigating the incident further he believes that a terrorist attack probably did not occur at Capiata. He commented that there were only two or three conscripts who witnessed or were involved in the actual incident. Apparently shots were first fired by one conscript for an unknown reason. A second conscript near the Commandant's house and some distance from the first fired some rounds a few minutes later. Pastor CORONEL speculated that since there were no officers who witnessed the events and no physical evidence, it is likely that the conscripts thought they heard or saw someone and fired the rounds. He added that the conscript near the house claimed that either someone neared his position with a pistol drawn or that he was fired upon by someone with a pistol. At the time of the incident, the persons in charge of the military academy apparently believed that an attack had occurred and took appropriate action. (NOTE: In a previous conversation with Pastor CORONEL, the RSO was told that the attack had occurred, but Pastor CORONEL had been reluctant to elaborate with further details.)

Terrorism in Paraguay and Argentina

Pastor CORONEL stated that in the past two months a lot of activity among terrorists opposed to the Stroessner government had taken place in Argentina near the southern Paraguayan border. He

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stated that due to police efforts in Argentina, terrorists are having more difficulty operating, particularly recruiting. He believes that the terrorists intend to free many prisoners he now holds by soon kidnapping someone in Paraguay. Pastor CORONEL commented that President Stroessner had stated that if any Ministers or Pastor CORONEL are kidnapped he will not free prisoners to gain their safe return. Pastor CORONEL believes that the anti-Paraguay terrorists are aware of this and if they kidnap someone they would choose the American Ambassador as their target. He added that Ambassador Landau is the only diplomat for whom the President would make concessions in order to gain his safe release. He did not guarantee such a response, but spoke in general.

Pastor CORONEL spoke of previous lack of cooperation from Argentine authorities in dealing with extremists who reside in Posadas and other border towns. Previously Argentine authorities considered them a Paraguayan problem unrelated to terrorists in their country. Pastor CORONEL commented that shortly before the terrorist attack on the military installation at Formosa, Argentina, he had gained information that it was going to take place. He claimed to have stated to a high ranking Argentine police authority, in the presence of Col. Guanes, that the attack was planned. He believes that the Argentines did not heed to his information and stated that the attack took place about fifteen days after the conversation. Apparently Pastor CORONEL is now receiving more cooperation from Argentine police authorities. He stated that they are beginning to realize that a terrorist with intentions against the Stroessner government is often associated with terrorists opposed to the Argentine Government.

At one point in the conversation Pastor CORONEL had an assistant bring him a grenade which he believed to be of Chinese origin. He gave it to the RSO for a few minutes to examine. The grenade was about the size of a golf ball, blue in color, and lettered in white as follows: NWM-V40. It also had a normal handle, pin, and ring mechanism for detonation. Its surface was smooth. The RSO was not familiar with the grenade and offered no comments as to its origin. Pastor CORONEL stated that he had just obtained from an informer. It was purportedly given to the informer after infiltration of a small group of extremists who had just entered Encarnacion. He was shown a box of the grenades in a house in either Encarnacion or Posadas. Pastor CORONEL related that the informer brought the

grenade to him, but had not followed the group and does not know where they are at this time. He added that he is searching for them. The RSO asked Pastor CORONEL if he had sought military advice as to the origin of the grenade. He replied that he had not since he had just obtained it. (Col. Little and Bruce Burton later advised the RSO that the description of the grenade is similar to the new type U. S. grenade and that the blue coloring indicates it is a practice grenade. They added that the practice grenades can easily be modified to use for destruction purposes.)

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